



Department of Justice

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BRITISH MARINE HOSE MANUFACTURER AGREES TO PLEAD GUILTY AND PAY \$4.5 MILLION FOR PARTICIPATING IN WORLDWIDE BID-RIGGING CONSPIRACY

WASHINGTON — A British marine hose manufacturer has agreed to plead guilty and pay \$4.54 million in criminal fines for participating in a conspiracy to rig bids, fix prices and allocate market shares of marine hose sold in the United States and elsewhere, the Department of Justice announced today.

A one-count felony charge was filed today in U.S. District Court in Fort Lauderdale, Fla., against Dunlop Oil & Marine Ltd. (Dunlop), a manufacturer of marine hose located in Grimsby, England. Under the terms of the plea agreement, which is subject to court approval, Dunlop has agreed to pay a criminal fine of \$4.54 million and to cooperate fully in the Department's ongoing antitrust investigation. Dunlop is the second corporation to be charged in the investigation.

"This conspiracy victimized companies involved in the off-shore extraction and transportation of petroleum products and the U.S. Department of Defense (DOD)," said Deborah A. Garza, Acting Assistant Attorney General in charge of the Department's Antitrust Division. "Ultimately U.S. consumers were left holding the tab. The Antitrust Division will seek stiff penalties for those who participate in price-fixing conspiracies."

Marine hose is a flexible rubber hose used to transfer oil between tankers and storage facilities. During the conspiracy, the cartel affected prices for hundreds of millions of dollars worth of marine hose and related products worldwide.

Dunlop is charged with participating in the conspiracy from at least as early as 1999 until as late as May 2007. The Department charged that during the conspiracy the defendants and their co-conspirators:

- Attended meetings or otherwise engaged in discussions in the United States and elsewhere by telephone, facsimile and electronic mail regarding the sale of marine hose;
- Agreed during those meetings and discussions to allocate shares of the marine hose market among the conspirators;
- Agreed during those meetings and discussions to a price list for marine hose in order to implement and monitor the conspiracy;

- Agreed during those meetings and discussions not to compete for one another's customers either by not submitting prices or bids to certain customers or by submitting intentionally high prices or bids to certain customers;
- Submitted bids in accordance with the agreements reached;
- Provided information received from customers in the United States and elsewhere about upcoming marine hose jobs to a co-conspirator who was not an employee of any of the marine hose manufacturers, but who served as the coordinator of the conspiracy, acted as a clearinghouse for information to be shared among the conspirators, and was paid by the manufacturers for coordinating the conspiracy;
- Received marine hose prices for customers in the United States and elsewhere from the co-conspirator coordinator of the conspiracy;
- Sold marine hose to customers in the United States and elsewhere at collusive and noncompetitive prices under the agreements reached;
- Accepted payment for marine hose sold in the United States and elsewhere at collusive and noncompetitive prices;
- Authorized or consented to the participation of subordinate employees in the conspiracy; and
- Concealed the conspiracy and conspiratorial contacts through various means, including code names and private email accounts and telephone numbers.

Dunlop is charged with violating the Sherman Act, which carries a maximum fine of \$100 million for corporations. The maximum fine may be increased to twice the gain derived from the crime or twice the loss suffered by the victims of the crime, if either of those amounts is greater than the statutory maximum fine.

Dunlop executives Bryan Allison and David Brammar pleaded guilty in December 2007 to participating in the marine hose conspiracy. Under the terms of their plea agreements, Allison was sentenced to pay a \$100,000 criminal fine and agreed to serve 24 months in prison and Brammar was sentenced to pay a \$75,000 criminal fine and agreed to serve 20 months in prison. Another arrested executive, Peter Whittle, a former Dunlop executive and now the sole proprietor of PW Consulting (Oil & Marine) Ltd., pleaded guilty for his leadership role in the conspiracy in December 2007, was sentenced to pay a \$100,000 criminal fine and agreed to serve 30 months in prison.

Allison, Brammar and Whittle also were arrested and criminally charged with cartel offenses by U.K. authorities. On Nov. 14, 2008, the U.K. Court of Appeal sentenced Allison to

serve 24 months in jail, Brammar to serve 20 months in jail, and Whittle to serve 30 months in jail. The U.S. plea agreements in effect provided for concurrent prison sentences in the United States and in the U.K. Thus, because the U.K. prison sentences either matched or exceeded the sentences recommended in the U.S. plea agreements, the defendants were not required to serve prison sentences in the United States.

In addition, Uwe Bangert, a German national and former executive with Dunlop's former parent company, Phoenix AG, was indicted on July 19, 2007, for his participation in the marine hose cartel. A trial date has not been set.

Eight foreign executives, including Allison, Brammar and Whittle, were arrested on May 2, 2007, in Houston and San Francisco and charged for their roles in the marine hose cartel, following a cartel meeting in Houston.

Manuli Rubber Industries SpA (Manuli), Robert L. Furness, the former president of Manuli's former Plantation, Fla.-based subsidiary, and Charles J. Gillespie, a former Manuli regional sales manager have pleaded guilty for their roles in this conspiracy. Under the terms of the plea agreements, which are subject to court approval, Manuli has agreed to pay a criminal fine of \$2 million, Furness has agreed to serve 14 months in prison and pay a \$75,000 criminal fine, and Gillespie has agreed to serve 12 months and one day in jail and pay a \$20,000 criminal fine. Manuli, Furness and Gillespie also have agreed to cooperate fully in the Department's ongoing antitrust investigation. Francesco Scaglia, the deputy manager of Manuli's Oil & Marine Division, and Val M. Northcutt, another regional sales manager, were acquitted on Nov. 11, 2008, in the Southern District of Florida after being charged with participating in the conspiracy.

Executives with Trelleborg Industrie S.A.S., Christian Caleca and Jacques Cognard, pleaded guilty to charges stemming from their roles in the conspiracy. In December 2007, each was sentenced to serve 14 months in prison. Caleca was sentenced to pay a \$75,000 criminal fine and Cognard was sentenced to pay a \$100,000 criminal fine. Caleca and Cognard also have agreed to cooperate fully in the Department's ongoing antitrust investigation.

Giovanni Scodeggio, an Italian citizen who is the manager of Parker ITR S.r.l.'s Oil & Gas Business Unit, pleaded guilty to a one-count felony charge in U.S. District Court in Houston in August 2008. Scodeggio was sentenced to pay a criminal fine of \$20,000, to serve six months of house arrest and to cooperate with the Department's ongoing antitrust investigation.

In May 2007, Misao Hioki, an executive involved in the sale of marine hose for Bridgestone Corporation in Japan, was charged for his involvement in the conspiracy. The charges involving Hioki are pending in U.S. District Court in the Southern District of Florida.

The investigation is being conducted by the Antitrust Division's National Criminal Enforcement Section, the Defense Criminal Investigative Service (DCIS) of the Department of

Defense's Office of Inspector General, the U.S. Navy Criminal Investigative Service and the Federal Bureau of Investigation. Law enforcement agencies from multiple foreign jurisdictions are investigating or assisting in the ongoing matter.

"Price fixing and bid rigging are serious crimes that drain resources from the Department of Defense and the American taxpayer. The Defense Criminal Investigative Service takes very seriously all violations of U.S. antitrust laws that affect products and services procured for our soldiers, sailors, airmen and Marines. DCIS aggressively investigates those who seek to cheat the DOD and the public by conspiring to suppress competition," said Sharon Woods, Director, DCIS.

Today's charge is an example of the Department's commitment to protect U.S. taxpayers from public procurement fraud through its creation of the National Procurement Fraud Task Force. The National Procurement Fraud Initiative, announced in October 2006, is designed to promote the early detection, identification, prevention and prosecution of procurement fraud associated with the increase in contracting activity for national security and other government programs.

Anyone with information concerning bid rigging or other anticompetitive conduct in the marine hose industry is urged to call the National Criminal Enforcement Section of the Antitrust Division at 202-307-6694, or the Long Beach, Calif., Resident Agency of the Defense Criminal Investigative Service at 562-256-2501.

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